

18 April 2008

### **Tax Deductible Premiums for the PPS Permanent Incapacity benefit**

PPS has received legal opinion confirming that the Permanent Incapacity portion of the total PPS Sickness and Permanent Incapacity premiums is tax deductible.

To facilitate this we will be reporting separately the Sickness and Permanent Incapacity components of premiums for Ordinary and Accident Units of Benefit.

The Sickness benefit remains tax free and the premiums with respect to the Sickness benefit are not tax deductible.

The Permanent Incapacity benefit remains taxable and the premiums for the following Permanent Incapacity benefits are all tax deductible:

- the Permanent Incapacity portion of the Ordinary Units of Benefit
- the Permanent Incapacity portion of the Accident Units of Benefit
- Deferred Units of Benefit
- Occupation Specific Rider Benefit (OSRB)

The Surplus Rebate Account (SRA) and the payment thereof remain unaffected.

The tax deductibility will apply for the full 2008 tax year. Tax certificates for the 2008 tax year, ending February 2009, in respect of any Permanent Incapacity benefits held will be issued to all policyholders thereafter.

The PPS Calculator, Quotes and Statement of Benefits will be updated to show the Sickness and Permanent Incapacity premium components separately. This will also be reflected on the policy certificate. We will advise as soon as this is available.

All policyholders irrespective of whether they are self-employed or salaried employees may deduct premiums in respect of Permanent Incapacity benefits from their taxable income.

#### **Implication for advice**

When comparing offerings it is important to check the tax treatment of both benefits and premiums.

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